

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 EA-11 ADP-00 DOTE-00 INT-08 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

NSC-10 SS-15 STR-08 CEA-02 RSR-01 DODE-00 PA-03

USIA-12 PRS-01 L-03 H-02 IO-12 /205 W

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R 040834 Z MAY 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3575

INFO AMEMBASSY ABIDJAN

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY CONAKRY

AMEMBASSY KINSHASA

AMEMBASSY LAGOS

AMEMBASSY MADRID

AMEMBASSY MONROVIA

AMEMBASSY OTTAWA

AMEMBASSY ROME

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E. O. 11652: N/ A

TAGS: EMIN, ETRN, GV, JA, US, AG, CG, NI, SP, LI, IT

SUBJECT: MIFERGUI- NIMBA MEETING IN TOKYO; TRANS- GUINEAN RR

REF: A) CONAKRY 605 B) STATE 63606 C) CONAKRY 215

SUMMARY: FOUR SMALL EUROPEAN COMPANIES AND THREE AFRICAN
GOVERNMENTS SIGNED MIFERGUI- NIMBA AGREEMENT APRIL 5 WITH
COMMITMENT TO PURCHASE EIGHT MILLION TONS OF ORE PER YEAR
BEGINNING IN 1977. TWO MILLION DOLLARS FUND PLEDGED TO BUILD

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NIMBA- LAMCO LINK. JAPANESE SOURCES BELIEVE FUTURE OF PROJECT
UNCERTAIN WITHOUT PARTICIPATION MAJOR FOREIGN STEEL FIRMS.
END SUMMARY.

1. EMBOFF DISCUSSED MIFERGUI- NIMBA PROJECT AND APRIL 5 MEETING IN TOKYO WITH MURAKAMI, ASSISTANT TO THE GENERAL MANAGER OF THE TOKYO MACHINERY DIV., NICHIMEN COMPANY (MEDIUM- SIZED TRADING FIRM) AND NAKAMURA, DEPUTY MANAGER, OVERSEAS OPERATIONS DEPT., NIPPON LOEI (LARGEST FIRM OF CONSULTING ENGINEERS). SUMMARY OF DISCUSSIONS FOLLOWS.

2. APRIL 5 MEETING. MURAKAMI SAID THAT IN FEBRUARY NICHIMEN AGREED TO HOST MEETING OF PROPOSED MIFERGUI- NIMBA CONSORTIUM IN TOKYO. HOWEVER, A FINAL EFFORT BY NICHIMEN TO ORGANIZE JAPANESE STEEL FIRMS INTO MAKING COMMITMENTS TO PURCHASE ORE FAILED. NICHIMEN THEN ASKED GUINEANS TO POSTPONE MEETING, BUT GUINEANS INSISTED THAT MEETING BE HELD. NICHIMEN AGREED TO MAKE ALL ARRANGEMENTS FOR THE MEETING, BUT DECLINED TO PARTICIPATE AS MEMBER SINCE IT COULD NOT MAKE PURCHASING COMMITMENTS. ACCORDING TO MURAKAMI, DOOR IS STILL OPEN FOR JAPANESE, AND OTHERS FOR THAT MATTER, TO JOIN MIFERGUI- NIMBA CONSORTIUM.

3. TOKYO MEETING OF CONSORTIUM ATTENDING BY REPS OF FOLLOWING GOVERNMENTS AND COMPANIES.

YUGOSLAVIA - REPS FROM ENERGOPROJEKT AND RUDIS

SWITZERLAND - REP FROM ALUESUISSE

SPAIN - REP FROM COFEI

ALGERIA - GOVERNMENT REP

NIGERIA - GOVERNMENT REP

ZAIRE - GOVERNMENT REP

IN ADDITION TOTHOSE PARTICIPANTS, THERE WERE OBSERVERS FROM LAMCO AND NICHIMEN.

4. MURAKAMA SAID COMPANY/ GOVERNMENT REPS SIGNED AGREEMENT TO DEVELOP NIMBA WITH COMMITMENT TO PURCHASE EIGHT MILLION TONS OF ORE PER YEAR BEGINNING IN 1977. NEITHER HE NOR NAKAMURA WERE ABLE TO PROVIDE BREAKDOWN OF COMMITMENT. EMBOFF ASKED IF THIS COMMITMENT COULD BE REGARDED AS PARTICULARLY SOLID, CONSIDERING THAT
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PARTICIPANTS WERE NEITHER MAJOR INDUSTRIAL NOR MAJOR FINANCIAL POWERS. MURAKAMI INDICATED THAT THIS INDEED WAS THE QUESTION. HE THOUGHT EUROPEAN PARTICIPANTS COULD PROBABLY BE COUNTED ON TO FULFILL COMMITMENTS, BUT IN HIS MIND IT WAS QUESTIONABLE THAT OTHERS WOULD BE ABLE TO DO SO. HE DID NOTE THAT NIGERIA HAD SMALL STEEL MILL.

5. TRANSPORT ARRANGEMENTS. MURAKAMI CONFIRMED ORGANIZATION OF ENTITY SEPARATE FROM MIFERGUI- NIMBA TO DEVELOP TRANSPORTATION LINK (20 KILOMETERS) BETWEEN GUINEAN SIDE OF NIMBA AND TERMINAL OF LAMCO RR. ACCORDING TO MURAKAMI, TWO MILLION DOLLARS HAS BEEN PLEDGED FOR DEVELOPMENT OF THE LINK, ONE MILLION DOLLARS

FROM GUINEA IN KIND, I. E., IRON ORE, AND ONE MILLION IN CASH FROM OTHER PARTICIPANTS. ALSO CONFIRMED THAT TRANSPORT ARRANGEMENTS ARE TO BE HANDLED SEPARATELY FROM DEVELOPMENT NIMBA MINE. NAKAMURA SAID THAT NIPPON KOEI IS NOT INVOLVED IN THIS LINK. UNDP- FINANCED STUDY OF NIMBA DONE SOME TIME AGO ALSO COVERED LINK. HE THOUGHT THAT BELGIAN FIRM, TRACTIONELLE, WOULD MOST LIKELY CARRY OUT ANY FURTHER STUDIES WHICH MIGHT BE NEEDED AS WELL PROJECT SUPERVISION.

6. IN RESPECT TRANS- GUINEAN RR, NAKAMURA SAID THAT NIPPON KOEI WAS READY TO MOVE INTO THE DESIGN AND ENGINEERING STUDY FOR THE FIRST SECTION, CONAKRY- BAMHAFOUGA. FINANCING HAD NOT YET BEEN ARRANGED BUT HE WAS HOPEFUL THAT GOJ'S OVERSEAS ECONOMIC COOPERATION AGENCY (OECF) WOULD PROVIDE THE FUNDS AS IT HAD DONE FOR THE FEASIBILITY STUDY. NAKAMURA ALSO REFERRED TO POSSIBLE CANADIAN SUPPLY RR RAILS, 1,200 KILOMETERS, FOR PROJECT WITH LOW COST LOAN.

7. GOJ FINANCING. AS NOTED ABOVE, GOJ THROUGH ITS SOFT LOAN AGENCY (OECF) FINANCED TRANS- GUINEAN FEASIBILITY STUDY AND NIPPON KOEI HOPES THAT OECF WILL FINANCE DESIGN AND ENGINEERING STUDY FOR FIRST SECTOR, CONAKRY- BAMHAFOUGA. EMBOFF ASKED OMURA, HEAD, AFRICA DIV., MIDDLE EASTERN AND AFRICAN AFFAIRS BUREAU, FONOFF IF MINISTER TOUR HAD RAISED QUESTION OF FINANCING THIS STUDY AS WELL AS OTHER PARTS OF PROJECT DURING VISIT. OMURA SAID THAT SUBJECT WAS DISCUSSED, BUT THAT GOJ HAS NOT MADE DECISION ON FURTHER FINANCING, PENDING SUBMISSION OF FEASIBILITY STUDY REPORT AND FURTHER CONSIDERATION OF WHOLE PROJECT.

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8. U. S. PARTICIPATION. MURAKAMI INDICATED THAT PARTICIPATION OF AMERICAN STEEL COMPANIES IN MIFERGUI- NIMBA WOULD HAVE FAVORABLE EFFECT ON PROJECT'S DEVELOPMENT. EXPRESSION OF AMERICAN INTEREST POSSIBLY COULD LEAD TO RESUMPTION INTEREST ON PART OF JAPANESE STEEL FIRMS. IN RESPECT TRANS- GUINEAN RR, BOTH NAKAMURA AND MURAKAMI BELIEVED THAT LOW- COST FINANCING WOULD BE REQUIRED TO GET THIS \$400 MILLION PROJECT UNDERWAY. EXPORT CREDITS WOULD NOT BE SUFFICIENT BUT FINANCING ON DEVELOPMENT LOAN TERMS WOULD BE NECESSARY. BOTH TENDED TOWARDS VIEW THAT SIZE OF NIMBA AND TRANS- GUINEAN RR PROJECTS REQUIRE MULTINATIONAL APPROACH.

9. NICHIMEN ROLE IN DEVELOPMENT OF MIFERGUI- NIMBA AND TRANS- GUINEAN RR. ACCORDING TO MURAKAMI, NICHIMEN BECAME INVOLVED IN GUINEA THREE TO FOUR YEARS AGO. WHILE HE WAS NOT SPECIFIC AS TO PRECISE REASONS, JUDGING BY CONVERSATION, INITIAL INTEREST WAS STIMULATED BY POSSIBILITY OF SALE OF JAPANESE EQUIPMENT AND MACHINERY FOR SMALL/ MEDIUM INDUSTRIAL PLANTS (CEMENT AND MATCH PLANTS) AND RR EQUIPMENT. NICHIMEN REALIZED THAT GIVEN GUINEAN B/ P SITUATION, CHANGE IN GUINEA'S FOREX POSITION WOULD BE REQUIRED BEFORE GUINEA WOULD BE IN POSITION

TO PAY FOR SUCH GOODS. THIS OCCURRED AT A TIME (1970) WHEN
OUTLOOK FOR JAPANESE ECONOMY IN ' SEVENTIES WAS VERY BULLISH
AND JAPANESE STEEL INDUSTRY WAS STILL SEEKING NEW OPPORTUNITIES
TO OBTAIN IRON ORE RESOURCES UNDER LONG TERM CONTRACT.

10. NICHIMEN TOOK UPON ITSELF THE ROLE OF ATTEMPTING TO ORGANIZE
GROUP OF JAPANESE STEEL COMPANIES WOULD BE WILLING TO ENTER INTO
LONG TERM CONTRACTS FOR PURCHASE OF ORE. ACCORDING TO MURAKAMI,
NICHIMEN WAS ALSO INSTRUMENTAL IN GETTING NIPPON KOEI TO CARRY
OUT FEASIBILITY STUDY OF TRANS- GUINEAN RR. (AT THAT TIME,
GUINEAN ULTRA- NATIONALISTS INSISTED ORE MUST BE EXPORTED THROUGH
CONAKRY). 1971-2 RECESSION IN JAPAN CHANGED STEEL INDUSTRY' S
ATTITUDE SHARPLY SINCE ITS BASIC NEEDS COVERED BY LONG- TERM
CONTRACTS CENTERED LARGELY IN AUSTRALIA AND INDIA. TO SUM
UP, OVER PERIOD OF TIME, AS GUINEAN GOVERNMENT WAS BECOMING
MORE FLEXIBLE IN DEVELOPMENT THIS RESOURCE, INTEREST OF
JAPANESE STEEL INDUSTRY WAS WANING. RESULT WAS THAT NICHIMEN,
AS MIDDLEMAN, WAS LEFT PRECISELY IN THE MIDDLE WITHOUT BEING
ABLE TO COME UP WITH COMMITMENTS ON PART OF POTENTIAL JAPANESE
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CONSUMERS IRON ORE.

11. EMBASSY HAS NO OBJECTION TO USE SUBSTANCE ABOVE REPORT
WITH U. S. FIRMS IF DEPARTMENT DESIRES.
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AMEMASSY BERN
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